

State of Alaska FY2006 Governor's Operating Budget

Department of Administration Lease Administration Component Budget Summary

Component: Lease Administration

Contribution to Department's Mission

The leases program provides cost effective office space for State agencies in a timely manner.

Core Services

- Procure private leased space for use by the State Executive Branch.
- Manage and administer over 495 private leases statewide.
- Provide space-planning recommendations.
- Conduct lease rate and lease space availability market research studies.
- Consolidate state owned and/or leased space when economies can be realized.
- Review agency remodel request in leased facilities and coordinate with lessor.
- Maximize efficiency of owned and leased space.

End Results	Strategies to Achieve Results
A: Maximized effectiveness and efficiency of State leased space. <u>Target #1:</u> 10% reduction in amount of square footage for new leased office space. <u>Measure #1:</u> Percent reduction, compared to prior year, of amount of new office space occupied. <u>Target #2:</u> 5 % reduction in average cost of leased space. <u>Measure #2:</u> The cost of newly negotiated rental rate per square foot versus market rate per square foot.	A1: Revise and implement cost effective State space standards. <u>Target #1:</u> All agencies in compliance with new state space standards. <u>Measure #1:</u> Percent of agencies in compliance for new or replacement leases. A2: Re-negotiate lease terms to obtain reduced costs. <u>Target #1:</u> All expiring leases re-negotiated at lower costs. <u>Measure #1:</u> Percent of expiring leases re-negotiated at reduced rates.

FY2006 Resources Allocated to Achieve Results	
FY2006 Component Budget: \$925,400	Personnel:
	Full time 10
	Part time 1
	Total 11

Performance Measure Detail

A: Result - Maximized effectiveness and efficiency of State leased space.

Target #1: 10% reduction in amount of square footage for new leased office space.

Measure #1: Percent reduction, compared to prior year, of amount of new office space occupied.

Analysis of results and challenges: .

07/01/02–06/30/03: 40% increase in new office space to State's inventory for subject period.
 07/01/03–06/30/04: 7% reduction in new office space to State's inventory for subject period.
 07/01/04-09/30/04: 13% increase in new office space to State's inventory for stated period.

Target #2: 5 % reduction in average cost of leased space.

Measure #2: The cost of newly negotiated rental rate per square foot versus market rate per square foot.

Analysis of results and challenges: .

07/01/03–06/30/04: Measurement to take place in FY2005.

07/01/04-09/30/04: As of 9/30/04 no leases have been renegotiated.

A1: Strategy - Revise and implement cost effective State space standards.

Target #1: All agencies in compliance with new state space standards.

Measure #1: Percent of agencies in compliance for new or replacement leases.

Analysis of results and challenges: .

07/01/03–06/30/04: New state standards became effective April 1, 2004. Measurement to occur in FY2005.

07/01/04-09/30/04: 4.25%.

A2: Strategy - Re-negotiate lease terms to obtain reduced costs.

Target #1: All expiring leases re-negotiated at lower costs.

Measure #1: Percent of expiring leases re-negotiated at reduced rates.

Analysis of results and challenges: .

07/01/03–06/30/04: Measurement to take place in FY2005.

07/01/04-09/30/04: 0%.

Key Component Challenges

- Implement revised space standards manual and guidelines ultimately reducing space needs and associated expenditures.
- Obtain replacement space for leases expiring in FY2005 and FY2006.
- Obtain new or additional space for state agencies as required.
- Continue multi year task of designing, planning, constructing and relocating departments from private leases for occupancy to the Robert B. Atwood Building.
- Review and refine automated lease tracking system.
- Continue to provide Leases Training for occupants and agency procurement staff.
- Conduct site investigations of lease and owned space to ensure maximum efficiency and improve space management.
- Maximize efficiency of state leased space by reducing the amount of new space leased by 10%.
- Reduce average lease cost for expiring leases as provided in AS 36.30.083.
- Identify and implement additional revisions to lease solicitation requirements, providing the State with reduced lease expenditures.
- Inventory all State owned facilities office space maintained by other Departments and obtain agency occupancy and square footage for use in maximizing occupancy in state space. Information will be tracked in Lease Management System.

The following leases have expirations which require renewal or replacement during or before FY 2006. When these leases are replaced the cost of a new lease may exceed the limits set in AS 36.30.080 (c), or \$500,000 per year or \$2.5 million for the life of the lease. The Current Annual Cost is the current annual lease cost of the current lease. Replacement of these leases will take place throughout the next fiscal year and the actual replacement costs are not known at the time of budget preparation. A projection of the potential total cost of the replacement leases has been included under Potential Cost of Replacement Lease w/ all Renewal Options. The actual annual and total cost of each lease will be determined by market conditions at the time of solicitation. This list shall serve as the required notification under AS 36.30.080 (c).

Lease No.	Location	Agency	Current Sq Ft	Current Annual Cost	Current Lease Exp Date	Replacement / New Lease Expiration w/ all Renewal Options	Potential Cost of Lease w/ all Renewal Options
Renew 2382	Anchorage	LAW	67,603	\$1,454,030	9/30/04	9/30/14	\$14,540,303
New Lease	Anchorage	GOV	8,200	N/A	N/A	4/30/15	\$2,607,600
New Lease	Anchorage	DEED	10,800	N/A	N/A	5/15/15	\$3,240,000
New Lease	Anchorage	DOC	15,000	N/A	N/A	7/31/15	\$3,060,000
New Lease	Ketchikan	DOTPF	7,453	N/A	N/A	8/31/34	\$3,792,928

Significant Changes in Results to be Delivered in FY2006

In order to achieve overall lease cost savings a number of strategies will be implemented in FY2005 and FY2006. In addition to reducing the number of leased facilities, newly revised space standards will be used as a guideline to equitably reduce the amount of leased space needed. Expanded boundaries and revised lease solicitation documents will be used to decrease the lessors requirements and overall lease rate, thus maximizing space efficiency through improved space management.

Agencies received a one-time General Fund transfer for the Lease component to pay lease obligations for FY2005 and beyond. The department will collect Interagency Receipts from occupying agencies to pay the lease obligations on the agencies behalf.

Major Component Accomplishments in 2004

- Obtained replacement space for expiring leases.
- Continued multi year task of designing, planning, constructing and relocating departments from private lease space to the Robert B. Atwood Building.
- Continue to refine and create tracking mechanisms to improve responsiveness and timeliness for all space needs.
- Provided Lease Training classes for occupants and agency procurement staff.
- Revised and expanded the Lease Boundary Standard Operating Procedures to maximize quantity of lease solicitation offers.
- Identify and efficiently use State owned space versus replacing a private lease.
- Revised lease solicitation specifications by decreasing lessors requirements and overall lease rate.
- Developed a statewide moving contract and eliminated the requirement from the standard lease solicitation document.
- Initiated Statewide Inventory of all state owned facilities office space maintained by other Departments to obtain agency occupancy and square footage. Information is to be tracked in the Lease Management System.

Statutory and Regulatory Authority

AS 36.30.080

State Procurement Code

AS 44.21.020 (1), (5) Duties of the Department

Contact Information
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Lease Administration Component Financial Summary

All dollars shown in thousands

	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	643.0	788.8	739.8
72000 Travel	11.2	19.0	19.0
73000 Services	83.7	150.5	151.4
74000 Commodities	12.4	15.2	15.2
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	750.3	973.5	925.4
Funding Sources:			
1004 General Fund Receipts	343.4	0.0	0.9
1007 Inter-Agency Receipts	406.9	973.5	924.5
Funding Totals	750.3	973.5	925.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
<u>Unrestricted Revenues</u>				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
<u>Restricted Revenues</u>				
Interagency Receipts	51015	406.9	973.5	924.5
Restricted Total		406.9	973.5	924.5
Total Estimated Revenues		406.9	973.5	924.5

**Summary of Component Budget Changes
From FY2005 Management Plan to FY2006 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	0.0	0.0	973.5	973.5
Adjustments which will continue current level of service:				
-FY 05 Bargaining Unit Contract Terms: GGU	0.0	0.0	6.8	6.8
-FY06 Cost Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	20.1	20.1
Proposed budget decreases:				
-Reduction in Personal Services Funding Allocation to Facilities Administration	0.0	0.0	-75.9	-75.9
Proposed budget increases:				
-Benefit and Wage Cost Increases	0.9	0.0	0.0	0.9
FY2006 Governor	0.9	0.0	924.5	925.4

Lease Administration Personal Services Information

Authorized Positions			Personal Services Costs	
	<u>FY2005</u> <u>Management</u> <u>Plan</u>	<u>FY2006</u> <u>Governor</u>		
Full-time	10	10	Annual Salaries	526,901
Part-time	1	1	COLA	8,924
Nonpermanent	1	1	Premium Pay	0
			Annual Benefits	275,823
			<i>Less 5.51% Vacancy Factor</i>	(44,748)
			Lump Sum Premium Pay	0
Totals	12	12	Total Personal Services	766,900

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	1	0	1
Accounting Tech II	0	0	2	0	2
Administrative Assistant	1	0	0	0	1
Analyst/Programmer III	0	0	1	0	1
Contracting Officer III	6	0	0	0	6
State Leasing & Facilities Mgr	1	0	0	0	1
Totals	8	0	4	0	12